



**Health Service**  
LOS ANGELES COUNTY

May 20, 2014

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**Christina R. Ghaly, M.D.**  
Deputy Director Strategic Planning

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF AMENDMENTS TO VARIOUS AGREEMENTS FOR  
SERVICES SUPPORTING REVENUE MANAGEMENT PROGRAMS  
(ALL SUPERVISORIAL DISTRICTS)  
(3 VOTES)**

**SUBJECT**

Amend various agreements for services supporting revenue management programs to extend the terms and update several terms and conditions for the Department of Health Services.

**IT IS RECOMMENDED THAT THE BOARD:**

1. Authorize the Director of Health Services (Director), or his designee, to: i) negotiate and execute one or more amendments to the Financial Management Services (FMS) Agreement No. H-703466 with Sutherland Healthcare Solutions, Inc. (Sutherland), effective upon Board approval to: a) extend the term of the Agreement for one year through May 31, 2015, with options to further extend the Agreement term for up to two additional six month periods, through May 31, 2016; b) incorporate updated terms and conditions to the Agreement and to address safeguards for data security, with no increase in compensation rates; and/or c) adjust the scope of work and fee structure, as necessary, subject to review and approval by County Counsel and with notice to the Board and Chief Executive Office (CEO); and, if necessary, ii) terminate the Agreement, subject to review and approval by County Counsel and with notice to the Board and CEO.

2. Authorize the Director, or his designee, to: i) negotiate and execute one or more amendments to the Financial Billing and Recovery Services (FBRS) Agreement No. H-702058 with USCB, Inc. (USCB), effective upon Board approval to: a) extend the term of the Agreement for one year through May 31, 2015, with options to further extend the Agreement term for up to two additional six month periods, through May

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- 31, 2016; b) incorporate updated terms and conditions to the Agreement and to address safeguards for data security, with no increase in compensation rates; and/or c) adjust the scope of work and fee structure, as necessary, subject to review and approval by County Counsel and with notice to the Board and CEO; and, if necessary, ii) terminate the Agreement, subject to review and approval by County Counsel and with notice to the Board and CEO.
3. Authorize the Director, or his designee, to: i) negotiate and execute one or more amendments to the Final Third Party Safety Net and Recovery Services (FTPSNRS) Agreement No. H-703452 with California Reimbursement Enterprises, Inc. (CRE), effective upon Board approval to: i) exercise the option to further extend the Agreement for one year through August 31, 2015, with options to further extend the Agreement term for up to two additional six month periods, through August 31, 2016; b) incorporate updated terms and conditions to the Agreement and to address safeguards for data security, with no increase in compensation rates; and/or c) adjust the scope of work and fee structure, as necessary, subject to review and approval by County Counsel and with notice to the Board and CEO; and, if necessary, ii) terminate the Agreement, subject to review and approval by County Counsel and with notice to the Board and CEO.
  4. Authorize the Director, or his designee, to amend the Consulting Services Agreement No. H-704934 with Health Management Associates (HMA), effective upon execution by the parties, to extend the term for one additional year through June 30, 2015, with an option to further extend the Agreement term up to six months, through December 31, 2015 and increase the maximum obligation by an amount not to exceed \$150,000.
  5. Delegate authority to the Director, or his designee, to exercise the options and execute future amendments to further extend the Agreements for up to two additional six (6) month periods, if necessary, through May 31, 2016 for Sutherland and USCB, through August 31, 2016 for CRE and up to six months through December 31, 2015 for HMA.
  6. Delegate authority to the Director, or his designee, to execute amendments to the Agreements identified on Attachment A, to incorporate updated terms and conditions to address safeguards for data security, adjust the scopes of work and contingency fee structure as needed, and extend the terms for a period of up to two years as consideration for the additional responsibilities the Contractors will assume with no increase in compensation rates.
  7. Delegate authority to the Director, or his designee, to terminate any of the Agreements identified on Attachment A, without further action from the Board,

subject to review and approval by County Counsel, and with notice to the Board and CEO.

### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS**

Approval of the first, second and third recommendations will allow the Director, or his designee, to negotiate and execute amendments to extend the terms of the Agreements with Sutherland and USCB through May 31, 2015 and CRE through August 31, 2015, with options to extend the terms of Sutherland and USCB for up to two additional six month periods through May 31, 2016, and an option to extend the term of CRE for up to two additional six month periods through August 31, 2016. The Sutherland and USCB Agreements are both slated to expire May 31, 2014 and CRE Agreement is slated to expire August 31, 2014. The extension of these Agreements is necessary to allow DHS sufficient time to assess its long-term options with respect to organizing and managing its revenue-cycle business, including development, launch, and evaluation of one or more Information Technology Request(s) for Proposals. These recommendations are also allowing the Director, or his designee, if necessary, to terminate these agreements.

In addition to extending the aforementioned Agreements, the amendments will include the following additional security responsibilities the Contractors will assume: i) add more robust conditions to address safeguards for data security, e.g., encryption of desk top personal computer hard drives, ii) to implement appropriate measures to secure its systems and data, continuously review, and iii) revise those measures to address ongoing threats and risks.

Services provided by Sutherland, USCB and CRE provide significant revenue collection to the Departments of Health Services (DHS or the Department) and Public Health (DPH). Disruption of these services will negatively impact the Department's revenue, approval of these recommendations will allow additional time for the Department to assess and enhance additional data security safeguards for Revenue Management's revenue cycle agreements.

In an effort to solidify our future plans for DHS' revenue cycle business, the Department recently engaged the consultants from Health Management Associates (HMA), under delegated authority approved by the Board on July 1, 2011. HMA will provide organizational support and recommendations that, taking into account migration of all DHS facilities' billing operations to the DHS Consolidated Business Office, as well as implementation of the Affordable Care Act, ORCHID and ICD-10, will enhance the scopes of work DHS will undertake with County resources and through contracts. In addition, the extension of the HMA Agreement will allow DHS' Ambulatory Care Network (ACN) continued, but limited, access to the HMA consultants whose services pertaining to the ACN transformation should soon phase out.

Approval of the fourth recommendation will allow DHS to extend the term of the HMA Agreement for a period of one year through June 30, 2015, with an option to further extend the term for up to a six month period, if necessary, through December 31, 2015, and increase the maximum obligation accordingly. The HMA expires on June 30, 2014. Therefore, the extension of this Agreement is needed to allow HMA sufficient time to complete this consulting project.

Approval of the fifth recommendation will allow DHS additional time, if needed, to complete any solicitation(s) that may be needed.

Approval of the sixth recommendation will allow DHS to extend the terms of the Agreements identified Attachment A for a period up to two years as consideration for the following additional security responsibilities the Contractors will assume: i) add more robust conditions to address safeguards for data security, e.g., encryption of desk top personal computer hard drives, ii) to implement appropriate measures to secure its systems and data, continuously review, and iii) revise those measures to address ongoing threats and risks.

Approval of the seventh recommendation will allow the Director, or his designee, to terminate any of the Agreements identified on Attachment A, in the event such action is warranted.

#### **Implementation of Strategic Plan Goals**

The recommendations support Goal 1, Operational Effectiveness and Goal 2, Fiscal Sustainability, of the County's Strategic Plan.

#### **FISCAL IMPACT/FINANCING**

Sutherland, USCB and CRE receive a contractual fee based on actual collections received by the County resulting from their services. The recommended actions will allow DHS and DPH to achieve estimated patient care revenue collections of approximately \$889.3 million. Sutherland has agreed to provide DHS with a 1% fee rate reduction for the recommended extension period June 1, 2014 through May 31, 2015. The total estimated one-year fee for both DHS and DPH is approximately \$10.7 million, which includes \$7.2 million for Sutherland, \$1.3 million for USCB and \$2.3 million for CRE.

The maximum obligation under the HMA Agreement, for the period July 1, 2014 through June 30, 2015, shall be \$150,000.

Funding is included in the DHS and DPH Fiscal Year (FY) 2013-14 Final Budgets and FY 2014-15 Recommended Budgets, and will be requested in future years as needed.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

Under the current Agreement, Sutherland continues to provide financial management services which include data mining and capturing, Billing and Follow-up Services, Financial Management and Consulting Services and Secondary Third-Party Resource Identification and Recovery Services for all DHS facilities.

During the extension period, Sutherland is estimated to generate \$169 million for DHS and \$1.0 million for DPH in gross revenue with estimated fees of \$7.1 million for DHS and \$0.1 million for DPH, for a net revenue collection of approximately \$161.9 million for DHS and \$0.9 million for DPH. These are estimates prior to anticipated savings from the extension period.

Additionally, as the Department's billing clearinghouse, DHS utilizes Sutherland's claim processing platform for billing Medi-Cal claims. DHS is estimated to generate approximately \$692.3 million during the extension period via Sutherland's claim processing platform. The estimated fees for these services are approximately \$0.14 million for DHS for a net revenue collection of \$692.16 million. DPH will not utilize Sutherland for its billing clearinghouse services in FY 2014-15.

Under the current FBRS Agreement, USCB continues to work closely with the Department to provide third party identification and billing services that are compliant with state, federal and other payer requirements.

During the extension period, USCB is estimated to generate \$15.4 million in gross revenue and total estimated fee is \$1.3 million, for a net revenue collection of \$14.1 million.

CRE functions as a final "safety net" recovery services contractor that reviews patients' accounts for potential revenue recovery by identifying third party coverage based on reconciliation of transposed and/or inconsistent demographic information.

During the extension period, CRE is estimated to generate \$12.6 million in gross revenue and total estimated fee is \$2.3 million, for a net revenue collection of \$10.3 million.

Account referrals made to each Contractor vary from month to month and no referral guarantees are made by the County.

The Agreements include all Board required provisions, including (via the proposed amendments) the most recent provision of Time Off For Voting. In addition, with the Board's delegated authority, DHS will update other Board required provisions that have

been modified since the inception of the Agreements, and correct other ministerial errors.

### **CONTRACTING PROCESS**

DHS hosted a town hall style meeting with the FMS vendor community last fall to share information regarding the financial services currently purchased under agreements, DHS' anticipated needs, and to gain insight and information from the vendor community that could potentially contribute to the structure of services requested under future solicitations and contracting opportunities. Based upon feedback received from the town hall participants and DHS' internal review of the services in the current Agreements with Sutherland & USCB, DHS determined that it is in the best interest of the County to refine the scope of services to be performed by the future-state FMS contractor. It is also the Department's determination that the provisions of the Agreements should be enhanced to include more robust information technology provisions, e.g., encryption of desk top personal computer hard drives, for the safeguarding of data that is considered sensitive and confidential and that time is needed for the consultants to review the revenue management programs. As a result, the release of a solicitation has been put on hold until the consultants' evaluation is complete and recommendations are available.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Approval of the recommendations will ensure the continued and effective provision of the revenue management programs and maximize DHS' and DPH's revenue recovery.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mitchell H. Katz", is written over a horizontal line.

Mitchell H. Katz, M.D.  
Director

MHK:adb

Enclosure

c: Chief Executive Office  
County Counsel  
Executive Office, Board of Supervisors  
Department of Public Health

Additional Revenue Agreements

Contractor	Agreement Number
Boehm & Associates	H-705230
USCB, Inc.	H-705193
USCB, Inc.	H-705195
Health Advocates	H-704551
Comp Spec	H-704562
Clark, Mascaro & Aziz	H-703767
Great Lakes	H-703768
Linebarger Goggan Blair & Sampson, LLC	H-705226
Provider Advantage NW, Inc.	H-701910